

**Before the
Federal Communications Commission
Washington, DC 20554**

In the Matter of)	
)	
High-Cost Universal Service Support,)	WC Docket No. 05-337
Federal-State Joint Board on Universal Service)	CC Docket No. 96-45
Lifeline and Link Up)	WC Docket No. 03-109
Universal Service Contribution Methodology)	WC Docket No. 06-122
Implementation of the Local Competition)	CC Docket No. 96-98
Provisions in the Telecommunications Act of 1996)	
Developing a Unified Inter-carrier)	CC Docket No. 01-92
Compensation Regime)	
Inter-carrier Compensation for ISP-Bound)	CC Docket No. 99-68
Traffic)	
IP-Enabled Services)	WC Docket No. 04-36
Numbering Resource Optimization)	CC Docket No. 99-200

**COMMENTS OF THE
RURAL ETCs in ARKANSAS (RATS)**

Come Arkansas Telephone Company, Inc.; Central Arkansas Telephone Cooperative, Inc.; Madison County Telephone Company; Magazine Telephone Company; Mountain View Telephone Company, Northern Arkansas Telephone Co., Inc.; Pinnacle Communications; Prairie Grove Telephone Company, Rice Belt Telephone Company, South Arkansas Telephone Company, Inc.; Southwest Arkansas Telephone Cooperative, Inc.; and Yelcot Telephone Company, all being rural ETCs in Arkansas (hereinafter "RATS"), by and through their attorney, David Kizzia, and for their Comments on the FCC's Notice of Proposed Rulemaking (NPRM), state:

1. RATS have always been willing to embrace reform of the issues that the current NPRM is intended to address. RATS have experienced declining access minutes of use (MOUs), increased phantom traffic and misidentified records. These lost MOUs increased pressure placed

on the customers in Arkansas. However, the current circumstances do not justify a radical change in the current support mechanisms. Therefore, RATS do not support the current proposed changes addressed in the NPRM, unless significantly modified.

2. RATS support a thorough revision of the proposals in the current NPRM prior to any action on the proposals. The needed revisions include the following changes:

- a. In the current NPRM there is a requirement for all ETC's to complete a 100% broadband capable network within a certain time period. RATS support the advancement of broadband capabilities to their customers. At the same time, this build-out comes with a significant cost to the ETC. ETCs must be allowed to recover the cost of such an aggressive build-out through Universal Service High Cost Support. The build-out should be supported by both Universal High Cost Support and ICLS support.
 1. The RATS feel that broadband access is and will be critical to the future economic development of our nation. RATS feel that broadband access to rural areas should be provided to customers at comparable rates as provided to customers in urban areas. RATS have and will continue to provide customers with comparable advanced services as currently provided to urban areas. However, this commitment from all rural ETC's must be supported through the existing High Cost Support Programs for the costs to be reasonable. The costs to provide these critical services to remote areas require major investments per customer served. RATS rely on loan programs offered by lenders such as RUS, RTFC, COBANK, and others to finance such projects. Revenue from customers and reliable support mechanisms are required to pay the loans. A business case cannot be made for such a financial commitment without participation and support from the Universal Service High Cost Support programs. Even if FUSF is available to deploy the system, the cost to maintain the broadband facilities in the most rural areas will cost more than rural customers can afford if the cost of the system is "marked to market". Therefore, the current NPRM should be changed, for carriers with COLR, to add the ability to recover this increased investment through the broadband build-out time frame and beyond for maintenance and upgrade activities in conjunction with a long-term regulatory commitment to ROR based high cost universal service support. High

cost support should not be frozen at the study area level as proposed in the notice.

2. If an ETC cannot meet broadband build-out time requirements, a proceeding with state regulators should commence to determine how best to achieve the broadband requirements in that area. Waiver of the duty to serve one (1) to two (2) customers at an initial cost of \$200,000 or more may be an important approach. State commissions may be better positioned to understand state terrain and cost issues that would justify a waiver of unduly costly service. The ETC should have a process to prevent costs that could be seen as unreasonable. The state regulators should work with the ETCs to provide all customers access to broadband in different areas, using a reasonable cost approach.
- b. Historically Incumbent ETCs have controlled costs with only moderate increases to the current Universal Service High Cost programs. The large increases to the program and the resulting pressure applied directly relate to applying the identical support methodology. RATS support replacing the identical support rules with a cost based, advanced mobile wireless services, and total service area coverage methodology.
- c. Intrastate access rates should be applied at interstate levels. This action would be accomplished by the development of a recovery mechanism, funded through the FUSF, to recover the difference between the two levels. The recovery mechanism should include a modest increase to the SLC in conjunction with a federal benchmark mechanism. Carriers should not be forced to replace current access charges with reciprocal compensation rates that are far below cost. Reductions in interstate rate levels can be addressed in future notices. The “additional costs” method should not be applied to these future notices. This method does not reflect the rural carriers’ cost characteristics and would cause pressure on the fundamental principles of universal service. The national interest is served by maintaining the public switched network of telecommunication carriers. The national security and the nation’s economic wellbeing is served by maintaining this network. If rural services are “marked to market”, the rates will initiate a death spiral for rural carriers. Any new method and rate mechanisms proposed should be cost based and applied with substantial study and analysis and should target unified rates by carrier, not one uniform rate for all carriers, that are adequate to solve identified arbitrage problems.

1. The reduction in intrastate access rates should be applied over a three year time period. This action is needed to defuse any pressure on the Universal Service program's new Recovery Mechanism (RM).
 2. By setting intrastate access rates at interstate levels, this action should stop chances of arbitrage opportunities available currently with such a large difference between the two jurisdictional rates.
 3. The benchmark mechanism would include local service, mandatory EAS changes, 911 changes, SLC, universal service charges, and other required State and Federal regulatory surcharges.
- d. Signaling rules should be developed and financial responsibility rules should be structured as set forth in the current NPRM. Further, the Commission should confirm that traffic related to interconnected VOIP is subject to current intercarrier compensation in the same manner as all other traffic that terminates on the PSTN. Competition is now mature and there remains no need to give VOIP or wireless carriers special treatment to incubate competition.
- e. Additional Caps or study area freezes on the Universal Service Fund should not be imposed. Rural ETCs have always gone above and beyond to promote advanced services to their customers. Imposing additional caps or study area freezes on Universal Service Funds disallows a company from earning their authorized rate of return. Furthermore, caps shift costs to rural customers which puts pressure on providing service at comparable rates with urban areas, and hurts low income and middle class customers.
- f. Small ROR companies do not have the resources to negotiate interconnection agreements with large carriers. The Commission should study the possibility of establishing tariff-based structures for intercarrier compensation related to section 251 / 252 interconnection agreements.
- g. Any USF contribution reform should be implemented comprehensively. A dual methodology for residential and business would create reporting complications.

A DELIBERATE AND CAUTIOUS APPROACH

3. The turmoil in the financial markets has been attributed to the Federal Reserve Board and market regulators moving to deregulate financial markets too fast, expecting competition to maintain balance in the markets. The approach was to allow sudden change without a deliberate and cautious implementation. The result is a long term disaster for our nation.


4. For the telecommunications industry, the changes proposed are a total departure from the current regulatory framework. It appears that the revenue change and financial impact will be sudden and often hard to gage. Some may benefit, most will lose. Many supporting the NPRM do so only from fear that alternatives in the future may be worse. The rural ETCs here ask the Commission to act deliberately and cautiously to incrementally implement changes to avoid an unintended economic and communications disaster like that which was unleashed on the financial markets. The Commission should not be pushed into a massive change by pressure or from a fear of doing nothing. Doing nothing is better than implementing disaster. The middle ground is a slower incremental approach to implement changes gradually over time, especially during a national financial crisis.

WHEREFORE, the RATS pray the three proposals be rejected or modified to reflect the changes proposed herein using a slow and deliberate approach; and further for all other just and proper relief to which they may be entitled.

Respectfully submitted,

Arkansas Telephone Company, Inc
Central Arkansas Telephone Cooperative, Inc.
Madison County Telephone Company
Magazine Telephone Company
Mountain View Telephone Company
Northern Arkansas Telephone Co., Inc.

Pinnacle Communications
Prairie Grove Telephone Company
Rice Belt Telephone Company
South Arkansas Telephone Company, Inc.
Southwest Arkansas Telephone Cooperative, Inc.
Yelcot Telephone Company,

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CERTIFICATE OF SERVICE


I, David Kizzia, hereby certify that a true and correct copy of the above and foregoing has been served on the following individuals on this 25th day of November, 2008:

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